

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

May 23, 2018

MOTOR CARRIER MATTER

☐

DOCKET NO.

2017-28-S

UTILITIES MATTER

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ORDER NO.

SUBJECT:

[DOCKET NO. 2017-28-S](#) - Application of Synergy Utilities, L.P. for Approval of Sewer Rates, Terms and Conditions - Staff Presents for Commission Consideration Synergy Utilities, L.P.'s Application for Approval of Sewer Rates, Terms, and Conditions.

COMMISSION ACTION:

Mr. Chairman, in this docket, Synergy Utilities which is the product of the 2017 merger of Midlands Utility, Incorporated, and Development Service, Incorporated, has applied for an increase in its sewer rates. Midlands was last granted a rate increase in 2005; Development Service was last granted a rate increase in 2015.

Synergy's initial Application requested separate rate schedules for the two merged service territories. The Application requested that the monthly sewer collection and treatment rate for residential customers in single-family homes in the former Development Service territory be raised from \$35.87 to \$43.42, and that the corresponding rate for homes in the former Midlands territory be raised from \$37.90 to \$47.38. Synergy sought similar increases for other classes of customers.

On April 12, 2018, the Commission held a public night hearing in Orangeburg, South Carolina, at the request of residents of the Northwoods and Empire Estates Subdivisions in an unincorporated area of Orangeburg County. These customers are located within the former service territory of Midlands. Since 2005, they have been charged \$23.03 monthly for sewage collection only. Synergy does not provide any sewage treatment service to these customers. Sewage treatment is provided by the City of Orangeburg Department of Public Utilities and the fees and charges for sewage treatment are passed through to the customers on their bills from Synergy. It is not disputed that the total bills for these customers have gone up substantially since 2005, but it is also undisputed that Synergy keeps only the \$23.03 monthly rate approved by the Commission in the prior rate case and that it remits the remainder to the City of Orangeburg. The Commission has no regulatory authority over the City and therefore has no control over amounts charged by the City for sewage treatment.

ORS proposed that the company place both former territories under a single unified tariff. Under the tariff proposed by ORS, single-family homes throughout the Synergy service area would be charged \$43 monthly for sewer collection and treatment. The collection-only rate for customers in Orangeburg County would be \$27.50. Synergy agreed to accept the rates and rate design proposed by ORS, but it disputed certain accounting adjustments.

First, with regard to the effect of the Tax Cut and Jobs Act, this Commission held in Order No. 2018-308 that, beginning January 1, 2018, regulatory accounting treatment is required for all regulated utilities for any impacts of the new law, including current and deferred tax impacts.

We also held that the utility should track and defer the effects resulting from the Tax Act in a regulatory liability account. And, further, for water/wastewater utilities with operating revenues that are equal to or greater than \$250,000, the issue will be addressed at the next rate case or other proceeding. I move that we hold that the provisions of Order No. 2018-308 should apply to Synergy Utilities, as well as to the other utilities indicated in Order 2018-308.

Synergy also presented updated rate-case expenses to the Commission and it contested the disallowance of certain expenses incurred in the merger which formed the company. Finally, Synergy argues against ORS's recommendation that it be required to establish a tariff rate or file contracts for non-retail sludge hauling and disposal services. I believe that there is no objection from ORS on the rate-case expenses. On the sludge hauling, I believe that it is preferable to allow the company to charge market rate, because they will be able to negotiate increased revenues that will benefit the bottom line for the customers and help the company earn as much, in essence, as it is being allowed to. And, again, it doesn't really have impact on rates, given that Synergy has accepted ORS's proposed rate.

I move that we approve the rates and rate design proposed by ORS and accepted by the company. The net increase in revenue resulting from the rates is \$201,316 annually. The resulting operating margin is 10.32 percent.

PRESIDING: Whitfield

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER	
BOCKMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
ELAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
FLEMING	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Not Voting</u>	Absent Day of the Hearing
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		

(SEAL)

RECORDED BY: J. Schmieding

